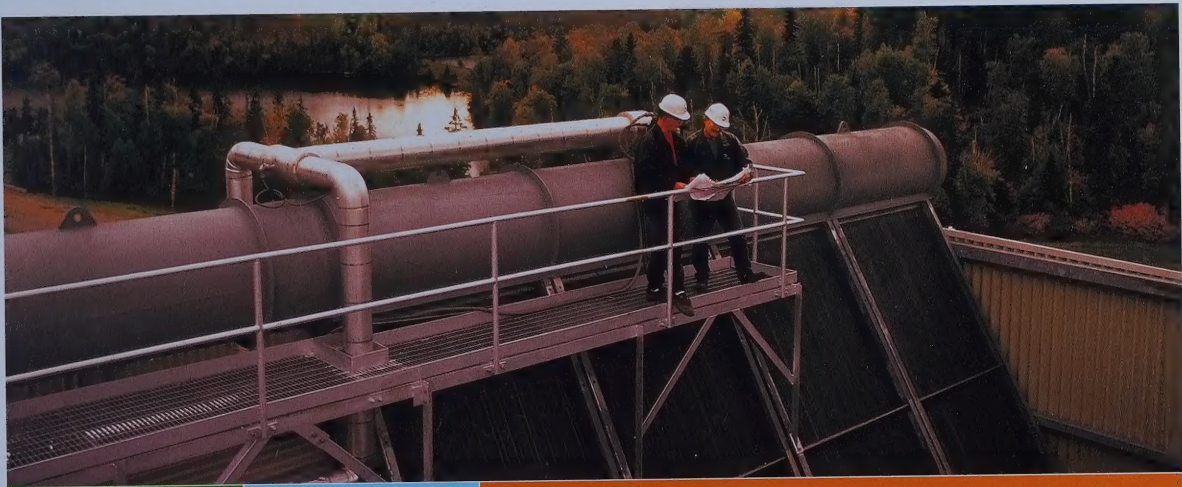
2002 ANNUAL REPORT

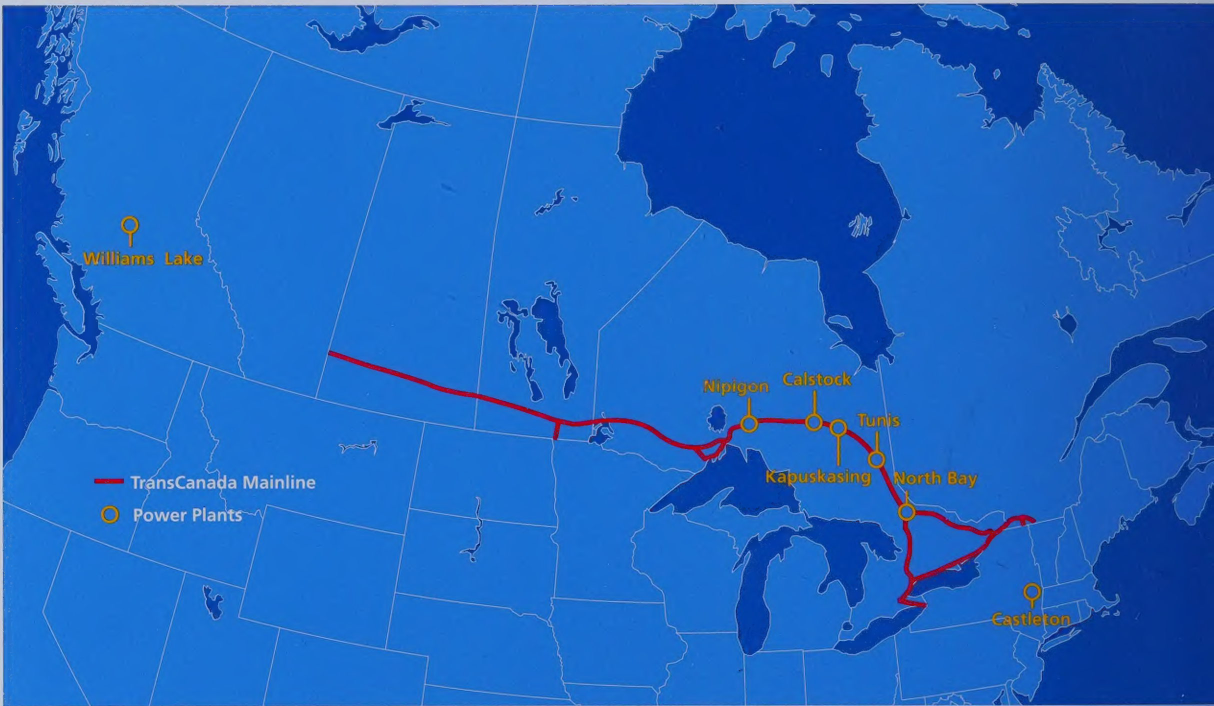


power

performance

STABILITY

TransCanada Power, L.P.



POWER PLANT STATISTICS

	Williams Lake	Nipigon	Calstock	Kapuskasing	Tunis	North Bay	Castleton
NOMINAL GENERATING RATING	66 megawatts	40 megawatts	35 megawatts	40 megawatts	43 megawatts	40 megawatts	64 megawatts
LOCATION	Located on a 31-acre site in Williams Lake, British Columbia	Located on a 7-acre site near Nipigon, Ontario	Located on a 55-acre site near Hearst, Ontario	Located on a 14-acre site in Kapuskasing, Ontario	Located on an 11-acre site near Iroquois Falls, Ontario	Located on a 16-acre site near North Bay, Ontario	Located on a 3-acre lease in Castleton-on-Hudson, New York
MAJOR EQUIPMENT	1 wood waste boiler 66 MW steam turbine	22 MW gas turbine 18 MW steam turbine 3 HRSGs*	1 wood waste boiler 35 MW steam turbine 2 HRSGs*	25 MW gas turbine 31 MW steam turbine 3 HRSGs*	41 MW gas turbine 19 MW steam turbine 3 HRSGs*	25 MW gas turbine 31 MW steam turbine 2 HRSGs*	40 MW gas turbine 25 MW steam turbine 1 HRSG*
PARTNERSHIP ACQUISITION	October 1999	June 1997	September 1998	June 1997	March 1998	June 1997	July 1999
COMMERCIAL OPERATIONS	April 1993	May 1992	October 2000	March 1997	January 1995	March 1997	March 1992
POWER SALES CONTRACT	25-year term expiring in April 2018	20-year term expiring in June 2012	20-year term expiring in June 2020	20-year term expiring in June 2017	20-year term expiring in January 2015	20-year term expiring in June 2017	9-year term expiring in June 2008
FUEL PURCHASE CONTRACT	Wood waste supply agreements with local mills for 25 years. Cost recovery mechanism in power sales contract	Gas supply agreements for 21-year terms expiring in 2010 and 2012	Wood waste supply agreements with 3 mills for 20-year terms and 1 mill for a 12-year term	Gas supply agreement with 20-year term expiring in 2016	Gas supply agreements with 15-year term expiring in 2010	Gas supply agreement with 20-year term expiring in 2016	No fuel risk. Partnership pays a fixed demand charge under a management agreement expiring in 2008

* HRSG is a Heat Recovery Steam Generator.

TRANSCANADA POWER, L.P. HAS A PROVEN TRACK RECORD OF PROVIDING UNITHOLDERS WITH LONG-TERM, SUSTAINABLE CASH DISTRIBUTIONS

PROVEN STABILITY 22 consecutive quarters of stable or increased distributions • Low risk profile supported by an SR-1 stability rating from Standard & Poor's

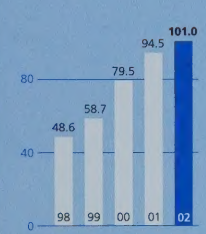
SUPERIOR QUALITY PLANTS Seven highly efficient plants • Average plant availability of 95% over the past five years

RISK DIVERSIFICATION Long-term sales contracts with three different, A-grade power buyers • Long-term fuel and operating contracts • Three different fuel sources

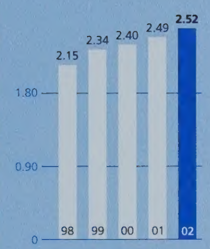
PROVEN GROWTH 1997 – three plants generating 118 megawatts • 2002 – seven plants generating 328 megawatts • 21 per cent increase in annualized distributions since inception

SUPERIOR MANAGEMENT AND STRONG SPONSORSHIP TransCanada is the operator, manager and largest unitholder • One of the largest operators of natural gas-fired turbines in North America • Significant expertise in managing commodity price and other market risks • Superior skills in identifying, assessing and structuring acquisition opportunities and financing strategies

TAX DEFERRAL BENEFITS Significant portion of distributions is non-taxable in the hands of unitholders

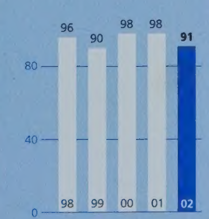


FUNDS GENERATED FROM OPERATIONS
(millions of dollars)



DISTRIBUTABLE CASH
(dollars per unit)

POWER GENERATED
(gigawatt hours)



AVERAGE PLANT AVAILABILITY
(per cent)

power

TransCanada Power, L.P. is a Canadian limited partnership that offers investors solid cash flow and growth prospects.

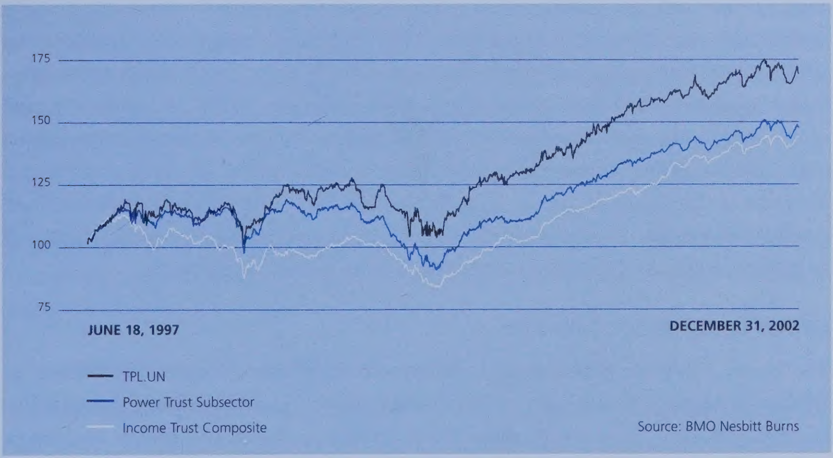
The Partnership owns seven power plants in Canada and the United States with total generating capacity of 328 megawatts. TransCanada PipeLines Limited manages the Partnership and the power plants' operations and owns 35.6 per cent of the Partnership.

The Partnership's units trade under the symbol TPL.UN on the TSX.

FINANCIAL HIGHLIGHTS

Year ended December 31	2002	2001
(millions of dollars, except per unit amounts)		
Power Generated *(GWh)*	**2,417**	2,358
Average Plant Availability	**91%**	98%
Funds Generated from Operations	**101.0**	94.5
Distributable Cash	**99.1**	87.4
Per unit	**$ 2.52**	$ 2.49
Net Income	**64.1**	45.0
Per unit	**$ 1.63**	$ 1.28

CUMULATIVE TOTAL RETURN INDEX* *(since inception of TPL.UN on June 18, 1997)*



* includes distributions and unit appreciation

LETTER TO UNITHOLDERS

OUR MISSION

To be Canada's premier income fund, providing a growing, stable cash distribution to our unitholders. We will accomplish this by being growth-oriented while providing our unitholders with reliable long-term cash flows. We will apply superior operating and commercial management practices to a quality portfolio of energy assets.

DIVERSIFICATION

The Partnership sells to three A-grade companies: Ontario Energy Financial Corporation, British Columbia Hydro and Power Authority and TransCanada PipeLines Limited (TransCanada).

In 2002, TransCanada Power, L.P. continued to deliver stability to its unitholders in what was a challenging year. Despite the unplanned outage at our largest facility, we increased net income, funds generated from operations and distributions over 2001 levels. These improved results and stability can be attributed to the diversity and quality of our power plants and the expertise of the people who operate and manage those plants. This stability continues to make TransCanada Power, L.P. one of the premier income funds in Canada.

SUSTAINABLE DISTRIBUTIONS

TransCanada Power, L.P. has met or exceeded the distribution level of the previous quarter in each of the 22 consecutive quarters since inception. The Partnership's annual distributions per unit have also grown each year. In 2002, distributions increased to $2.52 per unit from $2.49 per unit in 2001. On average over the last three years, approximately 70 per cent of the annual amount distributed to unitholders was non-taxable in the year received.

DIVERSITY OF OPERATIONS

In February 2002, the Partnership experienced a significant outage at the 66-megawatt Williams Lake power plant, our biggest plant representing 20 per cent of our total portfolio. It took approximately two and one-half months to repair the facility. Although an outage of this magnitude could have had a significant, negative impact on distributable cash at other, less diversified income funds, this outage underscored the strength, stability and diversity of TransCanada Power, L.P. Throughout 2002, the Partnership maintained quarterly distribution levels at $0.63 per unit and, at the end of 2002, retained an additional $3 million of operating cashflows to partially finance capital expenditures.

USE OF LONG-TERM CONTRACTS

The North American power market experienced significant economic turbulence in 2002, including a significant drop in the record power prices and extreme price volatility of 2000 and 2001. As a result, some North American power and energy companies suffered financial difficulty in 2002. TransCanada Power, L.P.'s unitholders have been protected from this market volatility due to the Partnership's use of long-term power sales arrangements and long-term fuel and operating contracts.

DIVERSIFICATION OF RISKS

As noted, 2002 saw many North American energy companies experience serious financial difficulty, whereas others were negatively affected by their dealings with these troubled companies. Since inception, the Partnership has minimized its credit risk by selling to strong, creditworthy counterparties. The Partnership has also sought to minimize its fuel risk exposure by utilizing three different fuel sources: natural gas, wood waste and waste

heat. Wood waste and waste heat are obtained at a very low cost compared to traditional hydrocarbon fuels and also achieve significant environmental benefits.

SUPERIOR QUALITY PLANTS AND STRONG SPONSORSHIP

The biggest risk to most power income funds is the risk that a plant is not able to produce power as required. Excluding the Williams Lake outage, the Partnership's overall average plant availability in 2002 was 97 per cent. This strong performance can be directly attributed to the ongoing commitment to operational excellence held by TransCanada, the operator of all seven plants and the largest unitholder. The benefits of strong sponsorship cannot be overstated. In addition to providing an experienced and dedicated operations team, the Partnership also benefits from TransCanada's expertise in managing commodity risks, marketing natural gas, as well as assessing and structuring new acquisition opportunities.

DISCIPLINED APPROACH TO ACQUISITIONS

In 2002, some North American companies announced asset sales to maintain financial stability or avoid possible financial demise. Some of these asset sales included power plants within the Partnership's target markets and certain of these plants were of interest to the Partnership. Through TransCanada, the Partnership evaluated these specific opportunities, but did not acquire any assets in 2002. Although the Partnership is focused on acquiring new power plants, any acquisition must meet two key criteria – it must be consistent with the Partnership's low-risk profile and it must increase per-unit distributable cash flow on a long-term, sustainable basis. In each case in 2002, the Partnership believed that the assets being evaluated were either priced excessively or exposed the Partnership to unacceptable operational or commercial risks. This disciplined approach has proven successful for the Partnership and its unitholders. TransCanada Power, L.P. will continue to pursue acquisition opportunities in the coming year following this same disciplined approach.

GOVERNANCE

As part of the Partnership's ongoing commitment to corporate governance, I am pleased to announce that Mr. Allen Hagerman, F.C.A. will be joining the Board as our fourth independent director.

STABILITY THROUGH TRANSCANADA POWER, L.P.

Our Board and management are focused on providing long-term, stable distributions to unitholders. This focus on stability enabled TransCanada Power, L.P. to succeed in 2002, a year in which we had our own challenges, the S&P/TSX Composite Index dropped 14 per cent and many companies suffered serious financial setbacks. With a strong balance sheet and superior assets, backed by an experienced and disciplined management team, I believe that TransCanada Power, L.P. will continue to be one of Canada's premier income funds in 2003 and beyond.

On behalf of the General Partner,

Alexander J. Pourbaix
President

PLANT RELIABILITY

TransCanada Power, L.P. has achieved a five-year average plant availability of 95 per cent.

SPONSORSHIP

One of the key advantages that TransCanada Power, L.P. utilizes to maximize both its current and its future value is the sponsorship that it receives from TransCanada. As the largest unitholder and the operator of the Partnership's plants, TransCanada offers a number of unique benefits to the Partnership.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis should be read in conjunction with the audited Consolidated Financial Statements of TransCanada Power, L.P. (the Partnership) and the notes thereto for the year ended December 31, 2002.

TransCanada Power, L.P. owns five power plants in Ontario, one in British Columbia and one in New York State. This combination of plants provides diversified operating risk across seven facilities in three different geographic regions. At December 31, 2002, the Partnership's total generating capacity was 328 megawatts, which has increased from 118 megawatts or 178 per cent since the Partnership's inception in 1997. The Partnership's strategic plan is focused on growing its asset base by expanding capacity at existing plants and taking advantage of acquisition opportunities that are accretive on a per unit basis.

TransCanada Power Services Ltd., the General Partner of the Partnership, is a wholly-owned subsidiary of TransCanada PipeLines Limited (TransCanada) and has responsibility for overseeing the management of the Partnership. The Board of Directors of the General Partner declares the cash distributions to the Partnership's unitholders. The General Partner has engaged TransCanada Energy Ltd. (the Manager) and TransCanada Power Marketing Ltd. (TCPM), both wholly-owned subsidiaries of TransCanada, to perform management and administrative services on behalf of the Partnership and to operate and maintain the power plants pursuant to management and operations agreements. On June 17, 2017, the Partnership will redeem all of the outstanding units not held by TransCanada at a price equal to their then fair market value. At December 31, 2002, TransCanada owned 35.6 per cent of the outstanding Partnership units.

Each of the Partnership's seven power plants has long-term power sales and fuel purchase contracts. Output from the Ontario power plants is sold to Ontario Electricity Financial Corporation (OEFC) with remaining terms ranging from 10 to 18 years. Output from the Williams Lake power plant is sold to British Columbia Hydro and Power Authority (BC Hydro) under a contract which has a remaining term of 16 years. Output from the Castleton power plant in New York is sold to TCPM in return for fixed monthly payments under a contract, which expires in 2008. The existence of long-term sales contracts to three, A-level credit rated counterparties, combined with long-term fuel and operating contracts, reduces financial risk to unitholders, minimizes commodity price risk and increases the stability and security of long-term cash flows.

The Partnership's power plants use natural gas, waste heat, wood waste or a combination of these fuel sources to produce electricity. The Ontario gas fired plants use a process called enhanced combined cycle generation which uses both natural gas and waste heat as fuel sources. These plants are located adjacent to TransCanada's Canadian Mainline gas compressor stations, which allow access to waste heat from these adjacent compressors. The Calstock and Williams Lake plants use wood waste from local mills as a source of fuel, thereby creating both environmental and economic benefits. The Calstock plant also uses waste heat from the adjacent TransCanada compressor stations. The Castleton plant is a combined cycle plant as it uses both natural gas and steam to generate electricity.

The Partnership reported funds generated from operations of $101.0 million for the year ended December 31, 2002, an increase of $6.5 million or 7 per cent compared to $94.5 million in 2001. Net income of $64.1 million for the year ended December 31, 2002 was $19.1 million higher than the $45.0 million reported in the same period last year, as 2001 net income included a $13.7 million charge related to the settlement of an interest rate swap. The increases in funds generated from operations and net income (excluding the settlement of the interest rate swap) were primarily due to lower interest charges resulting from the repayment of the Partnership's third-party long-term debt in October 2001, partially offset by the impact of an unplanned outage at the Williams Lake plant in 2002.

Year ended December 31	2002	2001
(millions of dollars except per unit amounts)		
Funds generated from operations	**101.0**	94.5
Distributable cash	**99.1**	87.4
Per unit	**$ 2.52**	$ 2.49
Net income	**64.1**	45.0
Per unit	**$ 1.63**	$ 1.28

On February 20, 2002, a generator failure occurred at the Williams Lake plant resulting in the plant being out of service from February 20 to May 6, 2002. Lost revenues from the generator failure were covered, except for a 30-day deductible, by the Partnership's business interruption insurance policies. Proceeds from the business interruption insurance claims were received in the fourth quarter of 2002 and were reflected in revenues for the Williams Lake plant. In addition, the Partnership filed a property damage claim with respect to this outage, which was reflected on the December 31, 2002 consolidated balance sheet in accounts receivable. The lost net income during the 30-day deductible period was approximately $3 million. The plant was repaired and returned to full operation on May 7, 2002.

REVENUES

Year ended December 31	2002		2001	
	GWh	*(millions of dollars)*	*GWh*	*(millions of dollars)*
Ontario				
Power	**1,589**	**117.7**	1,492	106.7
Enhancements		**0.7**		9.5
		118.4		116.2
Williams Lake				
Firm energy	**445**	**31.3**	445	31.6
Excess energy	**17**	**1.9**	112	11.6
Insurance proceeds		**4.3**	–	–
	462	**37.5**	557	43.2
Castleton				
Capacity receipts	**366**	**18.0**	309	16.8
	2,417	**173.9**	2,358	176.2
Average price per kWh				
Ontario		**7.4¢**		7.2¢
Williams Lake (1)		**7.2¢**		7.8¢

(1) The revenue figure used to calculate the Williams Lake average price per kWh in 2002 excludes $4.3 million of business interruption insurance proceeds.

Revenues for 2002 of $173.9 million were $2.3 million lower than revenues for 2001. The decrease was primarily due to the 2002 unplanned outage at the Williams Lake plant, partially offset by higher revenues from the Ontario and Castleton plants.

Power revenues for the Ontario plants of $117.7 million for the year ended December 31, 2002 were $11.0 million higher than the $106.7 million reported for the same period last year. Similarly, power output from the Ontario plants for the year ended December 31, 2002 increased by 97 gigawatt hours (GWh) when compared to 2001. These year over year increases were primarily due to the Partnership self-curtailing the Ontario plants more frequently in 2001. As a result, the increased power revenues were partially offset by lower enhancement revenues. Average plant availability at the Ontario plants for 2002 was 97 per cent, which was consistent with 2001. The average sales price per kilowatt-hour (kWh) was up slightly from the prior year, reflecting contracted increases in power sales prices.

Enhancement revenues reflect decisions by the Manager to voluntarily curtail power production in favour of selling the natural gas at prevailing market prices. Enhancement revenues for the year ended December 31, 2002 were $0.7 million compared to $9.5 million in 2001. For most of 2002, enhancement opportunities were not available due to lower natural gas prices, however, in the fourth quarter of 2002 the Partnership earned $0.7 million in enhancement revenues as market prices for natural gas increased.

Under the power sales contracts with BC Hydro, the Williams Lake plant receives firm energy revenue at a fixed price per kWh up to an annual production target plus excess energy revenue, for production above the target. The current year excess energy price

per kWh is based on the previous year's average market price per kWh in the Pacific Northwest. Revenues for the Williams Lake plant for the year ended December 31, 2002 were $37.5 million compared to $43.2 million for the same period last year. The decrease of $5.7 million was due to the unplanned 2002 outage resulting in lower excess energy sales. Average plant availability of 77 per cent was down from 98 per cent in 2001 due to the outage. Similarly, power output of 462 GWh for 2002 was down from the 557 GWh produced in 2001, representing a decrease of 17 per cent. Excluding the $4.3 million of insurance proceeds included in the Williams Lake revenues, prices on a per kWh basis were lower in 2002 compared to 2001 due to reduced excess energy sales in 2002. Although excess energy prices were $112 per megawatt hour (MWh) in 2002 compared to $104 per MWh in 2001, contributions from excess energy sales decreased as the plant was required to fulfill the annual firm energy contract amount to BC Hydro lost during the outage period. Excess energy sales from the Williams Lake plant represented 1 per cent of total 2002 output (2001 – 5 per cent). The Partnership is expecting excess energy prices to decrease to approximately $23 per MWh in 2003.

Revenues at the Castleton plant are earned through fixed monthly capacity payments from TCPM in return for providing the power plant's entire operating capacity and, as a result, are generally unaffected by the amount of electricity generated at the plant. Revenues for the year ended December 31, 2002 were $18.0 million compared to $16.8 million in 2001. The increase of $1.2 million over last year is due to contracted increases in the capacity payments in 2002.

COST OF FUEL

Year ended December 31	2002	2001
(millions of dollars)		
Ontario		
Natural gas	**33.7**	32.8
Waste heat	**0.7**	0.6
Wood waste	**0.3**	0.6
	34.7	34.0
Williams Lake		
Wood waste	**2.3**	3.1
Castleton		
Natural gas	**2.8**	2.6
	39.8	39.7
Average cost per kWh		
Ontario	**2.2¢**	2.3¢
Williams Lake	**0.5¢**	0.6¢

Fuel costs for the year ended December 31, 2002, which include the fuel commodity price and transportation costs, were $39.8 million compared to $39.7 million in 2001. The slight increase in 2002 was due to contracted increases in fuel costs for the Ontario and Castleton plants partially offset by lower wood waste costs at the Williams Lake plant due to the reduced requirements as a result of the unplanned outage in 2002.

The majority of the Partnership's fuel costs at the Ontario plants are under long-term contracts with built-in annual escalators. The remaining fuel requirements, which account for approximately 4 per cent of the power plants' fuel costs, are purchased at current market prices. In 2002, the average cost of fuel to the Ontario plants, on a per kWh basis, was slightly lower due to higher production volumes in the year.

Fuel costs at the Williams Lake plant on a total and per unit basis decreased in 2002 compared to 2001. These decreases were primarily due to the unplanned 2002 outage. The plant required less wood waste in 2002 and was able to source more of its wood waste requirements from local mills, resulting in lower transportation costs per tonne delivered. The variability in fuel costs for the Williams Lake plant has limited impact on the Partnership's distributable cash, as the majority of fuel costs related to firm energy production are recovered through cost recovery mechanisms in the sales contract with BC Hydro.

The Partnership pays TCPM a fixed fee, escalated for inflation, for all of the Castleton plant's fuel costs. Therefore, the plant is not affected by any variation in market prices. Fuel costs of $2.8 million for the year ended December 31, 2002 increased from the $2.6 million reported in 2001 primarily due to inflation.

OPERATING AND MAINTENANCE EXPENSE

Year ended December 31	2002	2001
(millions of dollars)		
Ontario	**12.1**	11.8
Williams Lake	**4.5**	4.4
Castleton	**3.7**	3.5
	20.3	19.7

Operating and maintenance expense is based on a fixed fee, adjusted annually for inflation and is payable to the Manager or TCPM for the operation and routine maintenance of the plants and the management of the Partnership. Operating and maintenance expense for the year ended December 31, 2002 was $20.3 million compared to $19.7 million in 2001. The increase of $0.6 million was primarily due to inflation.

PLANT OPERATING COSTS

Year ended December 31	2002	2001
(millions of dollars)		
Property taxes	**3.0**	2.7
Insurance	**2.1**	1.4
Major maintenance	**1.1**	1.0
	6.2	5.1

Plant operating costs were $6.2 million for the year ended December 31, 2002 compared to $5.1 million in 2001. The increase primarily reflects significantly higher insurance premiums in 2002, an industry-wide trend that continued from 2001.

MANAGEMENT AND ADMINISTRATION

Year ended December 31	**2002**	2001
(millions of dollars)		
Base fee	**1.0**	0.9
Incentive fee	**1.7**	1.2
Enhancement fee	**0.2**	1.3
General and administrative costs	**1.3**	1.1
Business development costs	**–**	0.8
	4.2	5.3

Management and administration costs, which consist of fees paid to the Manager and general and administrative costs, were $4.2 million for the year ended December 31, 2002, compared to $5.3 million in 2001. The decrease is primarily due to lower enhancement fees in 2002. Base fees, which are equal to 1 per cent of the Partnership's annual distributable cash, are up slightly compared to 2001 due to an increase in distributions. Incentive fees are paid to the Manager based on the level of cash distributions to unitholders as compared to pre-determined thresholds. As a result of the increased per unit distributions in 2002, incentive fees increased by $0.5 million.

Enhancement fees are paid to the Manager for successfully capturing opportunities, on behalf of the Partnership that either increase revenues or reduce costs. In 2002, enhancement fees were significantly lower than 2001 due to reduced enhancement opportunities as a result of a decrease in market prices for natural gas. The Partnership reimburses TransCanada for business development costs incurred on potential acquisitions once certain conditions have been met. The 2001 business development costs related to a potential acquisition that did not proceed.

INTEREST AND OTHER EXPENSE

Year ended December 31	**2002**	2001
(millions of dollars)		
Interest on operating line	**1.1**	0.7
Interest on long-term debt	**–**	9.3
Other	**0.4**	0.6
	1.5	10.6

Interest and other expense for the year ended December 31, 2002, was $1.5 million compared to $10.6 million in 2001. The decrease of $9.1 million was primarily due to the repayment of the Partnership's third-party long-term debt in October of 2001. In April 2002, the Partnership used its operating line of credit to fully repay the levelization balance owed to OEFC.

LIQUIDITY AND CAPITAL RESOURCES

Cash Distributions Distributable cash for the year ended December 31, 2002 was $99.1 million, representing an increase of $11.7 million or 13 per cent from $87.4 million for the same period in 2001. On a per unit basis, the Partnership distributed $2.52 per unit in 2002, compared to $2.49 per unit in 2001. The Partnership had funds available to distribute of $101.8 million, which included funds generated from operations and levelization amounts from OEFC related to certain Ontario plants. On an annual basis, the Partnership typically distributes less cash than is available and uses the undistributed cash to partially finance capital expenditures. The fourth quarter 2002 cash distribution was paid on January 30, 2003, to unitholders of record on December 31, 2002.

The Partnership distributes cash generated from the power operations on a quarterly basis, a portion of which is taxable to unitholders in the year received.

Year ended December 31	Cash Distribution	Taxable Amount
(per unit)		
2000	$ 2.40	$ 0.54
2001	$ 2.49	$ 0.83
2002	**$ 2.52**	**$ 0.94**

Capital Expenditures Capital expenditures for the year ended December 31, 2002 were $5.4 million, which included $2.1 million for a scheduled overhaul of the gas turbine at the Nipigon plant and $3.3 million for general capital improvements at the remainder of the plants. Capital expenditures for 2002 were lower than expected due to the timing of expenditures and cost reductions on the gas turbine spare parts at the Castleton plant, partially offset by higher than planned expenditures on the gas turbine overhaul at the Nipigon plant due to an increased scope of work.

Capital expenditures of $8.2 million are planned for 2003. These expenditures include a 5-year scheduled overhaul for the Williams Lake plant and expenditures on plant upgrades, reliability and safety controls, maintenance capital and equipment overhauls at each of the plants.

Financing Activities The Partnership has a revolving $50 million operating line of credit under commercial terms with TransCanada that is available to finance capital expenditures, working capital and general Partnership purposes. The line of credit bears interest at prime (average rate of approximately 4 per cent in 2002, 6 per cent in 2001) or at the option of the Partnership, may be fixed at a rate per annum equal to 1 per cent above TransCanada's term cost of funds. The Partnership used the operating line of credit in the second quarter of 2002 to fully repay the levelization balance of $11.6 million, which accrued interest at approximately 11 per cent. The balance outstanding on the operating line of credit at December 31, 2002 was $36.5 million. The increase of $20.6 million in 2002 was primarily due to the repayment of the levelization balance and to partially finance capital expenditures in the year.

The Partnership's debt to total capitalization ratio was 6 per cent at December 31, 2002, and 3 per cent at the end of 2001. This low debt to total capitalization ratio gives the Partnership financial flexibility to execute its strategy to grow and to pursue future acquisition opportunities. In addition, the Partnership has maintained Standard & Poor's highest stability rating of SR-1 for income funds.

OUTLOOK

The Partnership's goal is to provide unitholders with growing and stable cash distributions. This will be accomplished by an ongoing commitment to operational excellence, capitalizing on further earnings enhancements where possible, as well as growing the Partnership through plant expansions and acquisitions of new generating assets. The Partnership will focus its disciplined acquisition strategy on the Canadian and United States markets, targeting the acquisition of additional TransCanada plants, third party facilities and, depending on market conditions, other power funds.

The Partnership does not expect 2003 revenues to be materially different from 2002. Factors that could change this expectation include any new acquisitions, increased enhancement activities, significant unplanned plant outages or other unexpected events in 2003.

BUSINESS RISKS

The Partnership operates quality assets under long-term sales and supply contracts. These factors, combined with an excellent on-going maintenance program, minimize exposures to operational risk and commodity price fluctuations. The most significant risks to the Partnership are those associated with plant performance (such as plant availability), major maintenance costs and the potential impact on existing contracts as a result of deregulation or other government changes in electricity markets in which the Partnership operates.

Plant personnel have developed procedures to minimize the downtime required for both scheduled and nonscheduled maintenance. Strict safety standards are in place which, in most cases, surpass those required by government regulation. In addition, the Partnership has adequate insurance to cover equipment breakage and business interruption. The Partnership's combination of strong operating history and preventative maintenance programs has minimized the impact to the Partnership of significant increases in power plant insurance premiums that have been experienced throughout the power industry in recent years and are expected to continue in 2003.

The risks associated with the uncertainty of the competitive marketplace, especially the volatility in market prices for electricity, have been minimized by the long-term power sales contracts in place with OEFC, BC Hydro and TransCanada. In May 2002, the Ontario government announced the opening of the retail electricity market in Ontario and then in November 2002, announced fixed price caps for residential and other small volume customers. The Partnership is currently engaged in discussions with OEFC and

other governing bodies in Ontario to resolve certain administrative and contractual matters affecting the Partnership's operation in the new electricity marketplace. These changes are not expected to materially affect the long-term sales contracts with OEFC.

British Columbia's energy minister announced a new energy policy in November 2002. The announced policy is to split BC Hydro into two crown corporations: one will own the utility's hydro facilities and distribution operation and the other will own the transmission lines. The Partnership does not expect these announcements to have an impact on the Partnership or its long-term sales contract with BC Hydro.

Other risks include, but are not limited to, the following:

- Contractual risks associated with counterparty default under the Partnership's power sales contracts and fuel supply agreements;
- Changes in legislation regarding environmental and safety issues, including the clarification of the Federal government's implementation plans with respect to the Kyoto Protocol; and
- Financial risk relating to borrowing rates, changes in foreign exchange rates and the ability to obtain additional equity and debt financing for projects.

To minimize all of these risks, the Partnership has procedures in place, which utilize the expertise of staff at the plants and the management of the Partnership's operations. As a result, the Partnership does not expect to incur negative consequences from these risks at the present time.

Another risk for the Partnership is potential conflicts of interest between the Partnership and TransCanada. Management and the Board of Directors have procedures in place to ensure any conflict between the Partnership and TransCanada is appropriately resolved. This includes the requirement for approval by a majority of independent board members of material transactions between the Partnership and TransCanada. The Board of Directors has also determined to increase the size of the Board to eight and Mr. Allen Hagerman, F.C.A. has been added as a further independent and unrelated director to the Board.

In 2002, the United States Department of Commerce announced a final countervailing duty rate of 18.79 per cent and a final anti-dumping duty rate of 8.43 per cent on Canadian soft wood lumber exports to the United States. The Government of Canada and industry groups protested these duties and appealed to the World Trade Organization and the Review Panel under the North American Free Trade Agreement. The Partnership continues to receive adequate fuel to operate both wood waste plants and does not expect the dispute over softwood lumber exports to impact plant output in 2003.

SENSITIVITY OF CASH FLOWS

The cash flows from operations are generally protected from variations in revenues and costs by the Partnership's long-term sales, fuel and operating and management contracts. Variations in cash flows can occur due to annual changes in the Williams Lake excess energy prices and reduced plant availability caused by increased maintenance requirements, equipment failures and the availability of wood waste or waste heat from compressor stations.

Under the Ontario plants' power purchase agreements, if minimum amounts of power are not provided on a monthly basis, a reduction in the payment from OEFC will occur. The risk of significant impact on consolidated cash flows is mitigated through the diversification of cash flow sources as a result of having a number of plants, each of which operates under separate agreements.

Periodic price changes within the long-term fuel contracts held by the Partnership could also cause a decrease in cash available to distribute. The Partnership has minimized this risk by diversifying fuel sources and matching gas fuel supply contract increases to revenue increases over the life of the power purchase and fuel supply contracts.

The Partnership is protected from significant fuel cost increases at Williams Lake through the cost recovery mechanism in the sales contract with BC Hydro.

QUARTERLY INFORMATION

The Partnership's quarterly information is set out in the Supplemental Information section on page 26 of the annual report under the heading Selected Quarterly and Annual Consolidated Financial Data.

FORWARD-LOOKING INFORMATION

Certain information in this Management's Discussion and Analysis is forward-looking and is subject to important risks and uncertainties. The results or events predicted in this information may differ from actual results or events. Factors which could cause actual results or events to differ materially from current expectations include, among other things, the ability of the Partnership to successfully implement its strategic initiatives and whether such strategic initiatives will yield the expected benefits, the availability and price of energy commodities, regulatory decisions, competitive factors in the power industry, and the prevailing economic conditions in North America. For additional information on these and other factors, see the reports filed by the Partnership with Canadian securities regulators. The Partnership disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

REPORT OF MANAGEMENT

The consolidated financial statements included in the Annual Report are the responsibility of the Management of the General Partner and have been approved by its Board of Directors. These consolidated financial statements have been prepared by the Management of the General Partner in accordance with Canadian generally accepted accounting principles (GAAP) and include amounts that are based on estimates and judgments. Financial information contained elsewhere in this Annual Report is consistent with the consolidated financial statements.

Management of the General Partner has prepared Management's Discussion and Analysis, which is based on the Partnership's financial information prepared in accordance with GAAP. It compares the Partnership's financial performance in 2002 to 2001, and should be read in conjunction with the consolidated financial statements and accompanying notes.

Management of the General Partner has developed and maintains a system of internal controls and believes that these controls provide reasonable assurance that financial records are reliable and form a proper basis for preparation of financial statements.

The General Partner's Board of Directors has appointed an Audit Committee, which meets periodically during the year with Management of the General Partner and the Partnership's external auditors independently and as a group. The Audit Committee reviews the consolidated financial statements with the Management of the General Partner and the Partnership's external auditors before the consolidated financial statements are submitted to the General Partner's Board of Directors for approval. The external auditors have free access to the General Partner's Audit Committee without obtaining approval from Management of the General Partner.

The independent external auditors, KPMG LLP, have been appointed by the General Partner's Board of Directors to express an opinion as to whether the consolidated financial statements present fairly, in all material respects, the Partnership's financial position, results of operations and cash flows in accordance with GAAP. The following report of KPMG LLP, outlines the scope of their examination and their opinion on the consolidated financial statements.

Alexander J. Pourbaix	**Russell K. Girling**
President	Chief Financial Officer

February 26, 2003

AUDITORS' REPORT

TO THE PARTNERS

We have audited the consolidated balance sheets of TransCanada Power, L.P. as at December 31, 2002 and 2001 and the consolidated statements of income, distributable cash, cash flows and partners' equity for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Management of the General Partner. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the General Partner's Management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Partnership as at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years ended December 31, 2002 and 2001 in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Calgary, Canada

February 26, 2003

CONSOLIDATED INCOME

Year ended December 31	2002	2001
(millions of dollars except per unit amounts)		
Revenues	**173.9**	176.2
Cost of Fuel	**39.8**	39.7
Operating and Maintenance Expense	**20.3**	19.7
Other Costs		
Plant operating	**6.2**	5.1
Depreciation	**37.2**	37.0
Management and administration	**4.2**	5.3
Interest and other expense	**1.5**	10.6
Settlement of interest rate swap	**–**	13.7
	49.1	71.7
Net Income Before Income Tax	**64.7**	45.1
Income Tax	**0.6**	0.1
Net Income	**64.1**	45.0
Net Income Per Unit	**$ 1.63**	$ 1.28

The accompanying notes to the consolidated financial statements are an integral part of these statements.

CONSOLIDATED DISTRIBUTABLE CASH

Year ended December 31	2002	2001
(millions of dollars except per unit amounts)		
Net Income	**64.1**	45.0
Add:		
Depreciation	**37.2**	37.0
Future income tax	**(0.5)**	(1.2)
Levelization amounts	**0.8**	2.8
Scheduled reduction of long-term debt	**–**	(3.9)
Settlement of interest rate swap	**–**	13.7
Other	**0.2**	–
Cash reserve *(Note 2)*	**(2.7)**	(6.0)
Distributable Cash	**99.1**	87.4
Distributable Cash Per Unit	**$ 2.52**	$ 2.49

The accompanying notes to the consolidated financial statements are an integral part of these statements.

CONSOLIDATED CASH FLOWS

Year ended December 31	2002	2001
(millions of dollars)		
Cash Generated from Operations		
Net Income	**64.1**	45.0
Add:		
Depreciation	**37.2**	37.0
Future income tax	**(0.5)**	(1.2)
Settlement of interest rate swap	–	13.7
Other	**0.2**	–
Funds generated from operations	**101.0**	94.5
Increase in operating working capital	**(5.0)**	(9.2)
Net cash provided by operations	**96.0**	85.3
Investing Activities		
Capital expenditures	**(5.4)**	(11.6)
Net cash used in investing activities	**(5.4)**	(11.6)
Financing Activities		
Distributions paid	**(99.1)**	(82.8)
Increase in operating line	**20.6**	11.9
Levelization amounts received	**0.8**	2.8
Repayment of levelization balance	**(11.6)**	–
Limited partner units issued	–	165.9
Reduction of long-term debt	–	(159.4)
Settlement of interest rate swap	–	(13.7)
Net cash used in financing activities	**(89.3)**	(75.3)
Increase/(Decrease) in Cash and Short-term Investments	**1.3**	(1.6)
Cash and Short-term Investments, Beginning of Year	**4.4**	6.0
Cash and Short-term Investments, End of Year	**5.7**	4.4
Supplementary Cash Flow Information		
Income taxes paid	**1.2**	1.2
Interest paid	**3.6**	8.7

The accompanying notes to the consolidated financial statements are an integral part of these statements.

CONSOLIDATED BALANCE SHEET

December 31	2002	2001
(millions of dollars)		
ASSETS		
Current Assets		
Cash and short-term investments	**5.7**	4.4
Accounts receivable	**31.7**	29.9
Prepaids and other	**1.6**	1.3
Inventories	**7.6**	6.5
	46.6	42.1
Capital Assets *(Note 3)*	**601.4**	633.2
Future Income Taxes	**2.5**	2.0
	650.5	677.3
LIABILITIES AND PARTNERS' EQUITY		
Current Liabilities		
Accounts payable	**7.1**	8.7
Distributions payable	**24.8**	24.8
Operating line *(Note 5)*	**36.5**	15.9
	68.4	49.4
Levelization Amounts	**–**	10.8
Partners' Equity *(Note 4)*	**582.1**	617.1
	650.5	677.3

The accompanying notes to the consolidated financial statements are an integral part of these statements.

CONSOLIDATED PARTNERS' EQUITY

Year ended December 31	2002	2001
(millions of dollars)		
Balance, Beginning of Year	**617.1**	493.6
Net Income	**64.1**	45.0
Limited Partner Units Issued	**–**	165.9
Cash Distributions	**(99.1)**	(87.4)
Balance, End of Year	**582.1**	617.1

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Approved by TransCanada Power Services Ltd., as General Partner of TransCanada Power, L.P.

Alexander J. Pourbaix
Director

Brian A. Felesky
Director

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 Business of the Partnership

TransCanada Power, L.P. (the Partnership) is a limited partnership created under the laws of the Province of Ontario pursuant to a Partnership Agreement dated March 27, 1997, as amended and restated June 6, 1997 and September 29, 1998. The Partnership commenced operations on June 18, 1997 and currently has independent power generating facilities in Ontario, British Columbia and New York.

TransCanada Power Services Ltd., the General Partner, is a wholly-owned subsidiary of TransCanada PipeLines Limited (TransCanada) and, together with certain other TransCanada subsidiaries, has the responsibility for overseeing the management of the Partnership and the cash distributions to the Partnership unitholders. The General Partner has engaged TransCanada Energy Ltd. (the Manager) and TransCanada Power Marketing Ltd. (TCPM), both wholly-owned subsidiaries of TransCanada, to perform management and administrative services on behalf of the Partnership and to operate and maintain the power plants pursuant to management and operations agreements. Electricity generated at the facilities is sold under long-term contracts to three customers, Ontario Electricity Financial Corporation (OEFC), British Columbia Hydro and Power Authority (BC Hydro) and TransCanada. In 2002, approximately 66 per cent of revenues were earned from power sales to OEFC and the remaining revenues were primarily earned from BC Hydro and TransCanada.

At December 31, 2002 and 2001 TransCanada held 35.6 per cent of the outstanding limited partnership units.

NOTE 2 Accounting Policies

The consolidated financial statements of the Partnership have been prepared by the management of the General Partner in accordance with Canadian generally accepted accounting principles. Since a determination of many assets, liabilities, revenues and expenses is dependent on future events, the preparation of these consolidated financial statements requires the use of estimates and assumptions which have been made with careful judgement. In the opinion of management of the General Partner, these consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

Basis of Presentation The consolidated financial statements of the Partnership include the accounts of its subsidiaries. Intercompany transactions and balances have been eliminated.

Foreign Currency Translation The Partnership indirectly owns a United States subsidiary, which is translated using the temporal method. Under this method, monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historic exchange rates. Revenues and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in the consolidated statement of income.

Cash and Short-term Investments The Partnership's short-term investments that have original maturities of three months or less, are considered to be cash equivalents and are recorded at cost, which approximates market value.

Inventories Inventories of spare and replacement parts are carried at the lower of average cost or net realizable value.

Capital Assets Capital assets are carried at cost. Power generation plant and equipment, less estimated residual value, is depreciated on a straight-line basis over the remaining life to 2017 (see note 4). Other equipment, which includes the costs of major overhauls, is capitalized and depreciated over estimated service lives of three to ten years.

Revenue Recognition Revenue is recognized when energy is delivered under various long-term contracts and agreements.

Under the terms of the power purchase agreements with OEFC for the Kapuskasing, North Bay and Calstock power plants, additional cash was received as levelization amounts and was scheduled to be repaid in 2003 for Kapuskasing and North Bay and in 2007 for Calstock. These receipts were not recognized as income but were included in distributable cash. On April 22, 2002 the Partnership fully repaid the levelization balance of $11.6 million to OEFC.

Income Taxes Income taxes are the responsibility of the individual partners and have not been recorded in the consolidated financial statements.

The provision for income taxes relates solely to the taxes of the Partnership's corporate subsidiaries. Income taxes are calculated using the liability method. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using enacted or substantively enacted tax rates expected to apply in the period the temporary differences are expected to reverse.

Distributable Cash The amount of distributable cash to be distributed quarterly is based on the Partnership's funds generated from operations plus levelization amounts received, less scheduled debt repayments and any cash reserve which the Board of Directors of the General Partner, in its discretion, determines is necessary to satisfy the Partnership's current and anticipated obligations or to normalize quarterly distributions of cash to unitholders.

Net Income and Distributable Cash Per Unit

Net income and distributable cash per unit are calculated by dividing net income and distributable cash, respectively, by the weighted average number of units outstanding, including those held, directly or indirectly, by TransCanada. For purposes of the weighted average number of units calculation, units are determined to be outstanding from the date they are eligible for cash distributions and allocation of taxable income.

NOTE 3 Capital Assets

	2002			2001		
December 31	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
(millions of dollars)						
Land	**3.1**	**–**	**3.1**	3.1	–	3.1
Power generation plant and equipment	**710.9**	**125.0**	**585.9**	706.2	92.3	613.9
Other equipment	**26.5**	**14.1**	**12.4**	30.2	14.0	16.2
Capital assets	**740.5**	**139.1**	**601.4**	739.5	106.3	633.2

The December 31, 2002 net book value of capital assets included $40.1 million (December 31, 2001 – $61.8 million) related to the Castleton plant, located in the United States.

NOTE 4 Partners' Equity

December 31	**2002**	2001
(millions of dollars)		
Partners' capital	**728.7**	728.7
Accumulated income	**242.1**	178.0
Accumulated distributions	**(388.7)**	(289.6)
	582.1	617.1

Partners' Capital The Partnership is authorized to issue an unlimited number of units. Each unit represents an equal, undivided limited partnership interest in the Partnership and entitles the holder to participate equally in distributable cash and net income, except as noted below. Units are not subject to future calls or assessments and entitle the holder to limited liability. Each unit is transferable, subject to the requirements referred to in the Partnership Agreement.

At June 30, 2017, all units outstanding, not held directly or indirectly by TransCanada, will be redeemed by TransCanada at their then fair market value, being the average of the fair market values assigned thereto by independent valuators, plus all declared and unpaid distributions of distributable cash thereon (the Redemption Price). The Redemption Price will be paid in cash or, at the election of TransCanada, in common shares of TransCanada or a combination of cash and common shares.

(millions of dollars)	Number of Units	Amount
Outstanding January 1, 2001	33,651,982	562.8
Issued through public offering in 2001	5,660,000	165.9
Outstanding December 31, 2001 and 2002	**39,311,982**	**728.7**

On October 23, 2001, the Partnership issued 5,660,000 units to the public at $30.90 per unit. The net proceeds of $165.9 million and existing cash of $3.2 million were used to fully repay the Partnership's long-term debt ($155.4 million) and to terminate related interest rate swap transactions ($13.7 million).

The weighted average number of units outstanding in 2002 was 39.3 million (2001 – 35.1 million).

NOTE 5 Related Party Transactions and Commitments

Power Operations Power revenues for the Ontario power plants are determined based on the amount of electricity delivered under long-term contracts with OEFC expiring from 2012 to 2020. Contracted sales prices are fixed with built-in minimum annual escalators that vary from zero to 4.4 per cent. Power revenues at the Williams Lake power plant are based on a firm amount of electricity delivered under a long-term contract with BC Hydro expiring in 2018. Deliveries above this firm amount are sold to BC Hydro at market-based rates.

The Partnership and TCPM have an agreement expiring in 2008 whereby the Partnership provides the operating capacity and power output of the Castleton power plant in return for a fixed monthly fee, which escalates with inflation. Revenues in 2002 under this agreement totaled $18.0 million (2001 – $16.8 million).

Fuel costs at the Williams Lake power plant and the Ontario power plants are also fixed under long-term contracts with built-in escalators. Expiry dates for the fuel contracts vary in length with an average of 12 remaining years as at December 31, 2002. Fuel contracts include long-term agreements with the Manager to supply fuel for the North Bay and Kapuskasing plants and long-term agreements with TransCanada to supply gas transportation and waste heat for each of the Ontario facilities.

Amounts charged under the related party contracts were as follows:

Year ended December 31 (millions of dollars)	2002	2001
Gas fuel supply contracts	**15.9**	15.9
Gas transportation contracts	**11.2**	11.4
Waste heat contracts	**0.7**	0.6

The Manager manages gas fuel supply on behalf of the Partnership and fuel not required to operate the plants is sold on the open market through the Manager. In 2002, gas sales of $0.7 million (2001 – $9.5 million) included in revenue were related to enhancement transactions undertaken at certain Ontario power plants to re-sell contracted natural gas fuel at high market prices, rather than produce off-peak power at lower rates. An additional $6.8 million (2001 – $6.8 million) of gas sales in 2002 relate to the sale of contracted fuel in excess of daily requirements to operate the plants, which has been recorded as a reduction of the cost of fuel.

TransCanada guarantees a certain minimum amount of cash flows for the Calstock plant until 2005. In 2002, revenues included a guarantee fee paid by TransCanada to the Partnership of $1.7 million (2001 – $1.5 million).

The Partnership has incurred fees and expenses under the management and operations agreements with the Manager and TCPM as follows:

Year ended December 31	2002	2001
(millions of dollars)		
Operating and maintenance expense	**20.3**	19.7
Gas demand charge (Castleton plant)	**2.8**	2.6
Management and administration		
Base fee	**1.0**	0.9
Incentive fee	**1.7**	1.2
Enhancement fee	**0.2**	1.3
	2.9	3.4
	26.0	25.7

Included in accounts payable at December 31, 2002 are amounts owing to TransCanada of $3.9 million (2001 – $1.6 million).

Operating Line The Partnership has a revolving $50 million operating line of credit under commercial terms with TransCanada that is available to finance capital expenditures, working capital and general Partnership purposes. The line of credit bears interest at prime (average rate of approximately 4 per cent in 2002, 6 per cent in 2001) or at the option of the Partnership, may be fixed at a rate per annum equal to 1 per cent above TransCanada's term cost of funds. As at December 31, 2002, the amount borrowed against this operating line was $36.5 million (2001 – $15.9 million) and interest paid during the year was $1.0 million (2001 – $0.8 million).

NOTE 6 Fair Value of Financial Instruments

At December 31, 2002 the carrying value of the current financial assets and liabilities of the Partnership approximate the fair value due to their short period to maturity.

SUPPLEMENTARY INFORMATION
SELECTED QUARTERLY AND ANNUAL CONSOLIDATED FINANCIAL DATA

Three months ended	2002 Mar. 31	Jun. 30	Sep. 30	Dec. 31	Total
(millions of dollars except per unit amounts)(unaudited)					
Revenues	**45.5**	**39.7**	**40.4**	**48.3**	**173.9**
Cost of Fuel	**11.3**	**8.6**	**9.4**	**10.5**	**39.8**
Operating and Maintenance	**5.1**	**5.0**	**5.1**	**5.1**	**20.3**
Other Costs					
Plant operating	**1.2**	**2.0**	**1.2**	**1.8**	**6.2**
Depreciation	**9.3**	**9.4**	**9.2**	**9.3**	**37.2**
Management and administration	**1.1**	**1.3**	**0.6**	**1.2**	**4.2**
Interest and other expense	**0.4**	**0.2**	**0.3**	**0.6**	**1.5**
	12.0	**12.9**	**11.3**	**12.9**	**49.1**
Net Income Before Income Tax	**17.1**	**13.2**	**14.6**	**19.8**	**64.7**
Income Tax	**0.1**	**0.1**	**0.1**	**0.3**	**0.6**
Net Income	**17.0**	**13.1**	**14.5**	**19.5**	**64.1**
Net Income Per Unit	**$ 0.43**	**$ 0.33**	**$ 0.37**	**$ 0.50**	**$ 1.63**
Distributable Cash	**24.8**	**24.7**	**24.8**	**24.8**	**99.1**
Distributable Cash Per Unit	**$ 0.63**	**$ 0.63**	**$ 0.63**	**$ 0.63**	**$ 2.52**

Three months ended	2001 Mar. 31	Jun. 30	Sep. 30	Dec. 31	Total
(millions of dollars except per unit amounts)(unaudited)					
Revenues	48.6	39.6	39.6	48.4	176.2
Cost of Fuel	10.5	8.8	9.7	10.7	39.7
Operating and Maintenance	4.9	4.9	5.0	4.9	19.7
Other Costs					
Plant operating	1.0	1.7	0.9	1.5	5.1
Depreciation	9.2	9.2	9.3	9.3	37.0
Management and administration	1.3	0.8	1.2	2.0	5.3
Interest and other expense	3.2	3.4	3.3	0.7	10.6
Settlement of interest rate swap	–	–	–	13.7	13.7
	14.7	15.1	14.7	27.2	71.7
Net Income Before Income Tax	18.5	10.8	10.2	5.6	45.1
Income Tax	0.1	–	–	–	0.1
Net Income	18.4	10.8	10.2	5.6	45.0
Net Income Per Unit	$ 0.55	$ 0.32	$ 0.30	$ 0.14	$ 1.28
Distributable Cash	20.2	21.2	21.2	24.8	87.4
Distributable Cash Per Unit	$ 0.60	$ 0.63	$ 0.63	$ 0.63	$ 2.49

QUARTERLY AND ANNUAL UNIT TRADING INFORMATION

	2002				
Three months ended	Mar. 31	Jun. 30	Sep. 30	Dec. 31	Total
(unaudited)					
Unit Price					
High	**$ 34.00**	**$ 33.20**	**$ 34.13**	**$ 32.95**	**$ 34.13**
Low	**$ 30.70**	**$ 29.87**	**$ 28.75**	**$ 30.50**	**$ 28.75**
Close	**$ 30.80**	**$ 32.90**	**$ 32.50**	**$ 30.90**	**$ 30.90**
Volume traded *(millions)*	**3.0**	**2.4**	**2.9**	**2.6**	**10.9**

	2001				
Three months ended	Mar. 31	Jun. 30	Sep. 30	Dec. 31	Total
(unaudited)					
Unit Price					
High	$ 28.99	$ 31.24	$ 32.05	$ 32.38	$ 32.38
Low	$ 27.00	$ 27.50	$ 29.25	$ 30.75	$ 27.00
Close	$ 27.70	$ 29.70	$ 32.00	$ 31.75	$ 31.75
Volume traded *(millions)*	1.0	1.4	1.7	2.5	6.6

PARTNERSHIP GOVERNANCE

The governance of the Partnership is the responsibility of the Board of Directors (the Board) of the General Partner and the rights, authority and limitations on the General Partner are described in the Limited Partnership Agreement (the Partnership Agreement). As set out in the Partnership Agreement, the Board is to be composed of seven directors, four of which are related to TransCanada with the remaining three members being independent and unrelated to TransCanada.

The Board has determined that notwithstanding the Partnership Agreement, it is appropriate and in the interests of good governance that an additional independent and unrelated director be appointed to the Partnership's Board. This action has resulted in a Board of Directors consisting of eight directors, four of whom are independent and unrelated to TransCanada and four who are related to TransCanada. Additionally, the Board has determined that the audit committee will continue to be composed of a majority of independent and unrelated directors with only one of the four members being related to TransCanada. The Board has also determined that the independent directors would designate a "Lead Director" from among their number. These improvements to the Partnership's governance regime were made effective on February 26, 2003.

The Board has plenary power for all activities of the Partnership unless specifically delegated to committees of the Board or management. To fulfill its responsibilities, with respect to the Partnership, the General Partner's Board has established three committees: audit, corporate governance and independent directors. The combined work of the Board and these committees fulfill the fiduciary responsibility of the Board to foster the long-term success of the Partnership and maximize the partners' value.

The Partnership Agreement provides that the Board can function separately from the Manager and management, as a majority of independent directors must approve all material transactions or agreements between the Partnership and TransCanada. The Board's governance structure has accommodated this requirement through the establishment of the independent directors committee, which approves all material transactions between the Partnership and TransCanada and any of TransCanada's affiliates or associates. The Board has also appointed a Lead Director with a separate mandate.

Both the Board and its committees can approve the engagement of outside advisors. The engagement of advisors for committees or individuals is limited to advisors required for matters within their mandated responsibilities or for advice relative to a member's fiduciary duties or conflict of interest matters.

As a publicly traded entity, the Partnership is required to disclose annually its alignment with a set of governance guidelines adopted by the Toronto Stock Exchange to assist organizations in assessing accountability to stakeholders. The Partnership's statement on adherence to those guidelines follows.

STATEMENT OF GOVERNANCE PRACTICES

Guideline 1

Board should explicitly assume responsibility for stewardship of the corporation

Does the Partnership Align? Yes

Description of Approach The Board has responsibility for the overall stewardship of the Partnership, establishing the overall policies and standards of the Partnership in the operation of its businesses and reviewing and approving its strategic plans.

Guideline 1a

Board should specifically assume responsibility for the adoption of a strategic planning process

Does the Partnership Align? Yes

Description of Approach The Board has adopted a strategic planning process and meets during the year to review and approve management's strategic plan for the Partnership. Changes to the plan assumptions are considered when appropriate.

Guideline 1b

Board should specifically assume responsibility for the identification of principal business risks, and implementation of risk management systems

Does the Partnership Align? Yes

Description of Approach The strategic plan process adopted by the Board also includes the review of significant risks to the Partnership and management ensures that the Board is kept informed of any changes to these risks on a timely basis. The audit committee reviews the Partnership financial risk policies and procedures and reports to the Board on these matters on a quarterly basis. The Board also receives and reviews reports from management on health, safety and environment on a regular basis.

Guideline 1c

Board should specifically assume responsibility for succession planning, including appointing, training and monitoring senior management

Does the Partnership Align? Yes

Description of Approach The Board believes that the management of the Partnership is key to its ongoing success. The corporate governance committee is tasked by the Board to review key policies and procedures around management succession, training, compensation and appointment, where applicable. Under the terms of the agreement with the Manager, the Manager is responsible to fill the required management positions.

Guideline 1d

Board should specifically assume responsibility for communications policy

Does the Partnership Align? Yes

Description of Approach The Board has put structures in place to ensure effective communications between the Partnership, its unitholders and the public. The Board, or the appropriate committee thereof, reviews the content of the Partnership's major communications to the investing public, including the quarterly and annual reports, and approves the annual information form and any prospectuses that may be issued. The disclosed information is released through mailings to unitholders, news wire services, the general media and the Partnership's home page on the internet.

Guideline 1e

Board should specifically assume responsibility for the integrity of internal control and management information systems

Does the Partnership Align? Yes

Description of Approach The Partnership's internal controls are monitored on a regular basis by the audit committee through management and the work of the external auditors.

Guideline 2

Majority of directors should be "unrelated" (independent from management and free from conflicts of interest)

Does the Partnership Align? No

Description of Approach TransCanada has the right to nominate four of the seven directors under the terms of the Partnership Agreement. Notwithstanding this right, the Board unanimously determined that an additional unrelated and independent director be appointed bringing the Board size to eight. Under the terms of the Partnership Agreement, all transactions with TransCanada must be recommended by the independent directors committee. The Board believes that a Board with equal representation of related and unrelated directors is an appropriate policy for the Partnership given the Partnership Agreement and TransCanada's substantial ownership of Partnership Units.

Guideline 3

Disclose for each director whether he or she is related, and how that conclusion was reached and that the majority of directors are 'outside' directors.

Does the Partnership Align? No

Description of Approach The Board has four related Directors, being Messrs. Girling, Kvisle, Pourbaix and Wishart, all of whom are senior officers of TransCanada and therefore related.

Guideline 4

Appoint a committee of outside directors responsible for appointment of new nominees and ongoing assessment of directors

Does the Partnership Align? No

Description of Approach The corporate governance committee is responsible for assessing new nominees to the Board as well as assessing the Board performance on an ongoing basis. The committee is chaired by Mr. Hobson, an independent director and has a majority of independent directors. The Board believes that it is appropriate for TransCanada as the Manager of the Partnership to have a representative on this committee due to the responsibilities that have been given to the Manager through contractual arrangements.

Guideline 5

Implement a committee process for assessing the effectiveness of the board, its committees and the contribution of individual directors

Does the Partnership Align? Yes

Description of Approach The corporate governance committee is responsible to make an annual assessment of the overall performance of the Board and its individual members and to report its findings to the Board. The corporate governance committee also makes recommendations relative to the composition of the various committees of the Board.

Guideline 6

Provide orientation and education programs for new recruits to the board

Does the Partnership Align? Yes

Description of Approach All directors are provided with an orientation binder that includes written information about the duties and obligations of directors and the business of the Partnership. An opportunity for meetings and discussions with senior management and other directors is also available. The details of the orientation of each new director will be tailored to that director's individual needs and areas of interest.

Guideline 7

Examine size of board, with a view to improving effective decision-making and, if appropriate, undertake a program to reduce the number of directors

Does the Partnership Align? Yes

Description of Approach The Board believes that eight directors is appropriate and is the minimum number required for the business of the Partnership.

Guideline 8

Review adequacy and form of compensation of directors to ensure compensation reflects risks and responsibilities

Does the Partnership Align? Yes

Description of Approach The corporate governance committee reviews the compensation of the independent directors on an annual basis, taking into account such matters as time commitment, responsibility and compensation provided by comparable companies and income funds. No director related to TransCanada receives compensation from the Partnership for services to the Board or committees.

Guideline 9

Committees should generally be composed of outside directors a majority of which are unrelated

Does the Partnership Align? Yes

Description of Approach The Board believes that, as a matter of policy, there should be a majority of unrelated directors on each of the committees and the committees should be chaired by independent directors. The audit committee and the corporate governance committee have one position held by a related director, reflecting the significant unitholdings of TransCanada.

Guideline 10

Appoint a committee responsible for developing an approach to corporate governance issues

Does the Partnership Align? Yes

Description of Approach The mandate of the corporate governance committee includes responsibility to undertake initiatives as are needed to ensure excellence in governance.

Guideline 11

Define limits to management's responsibilities by developing position descriptions for the board and CEO and approving corporate objectives for the CEO to meet.

Does the Partnership Align? Yes

Description of Approach The Board has adopted its own terms of reference, which clarifies responsibilities and ensures effective communication between the Board and management. The corporate governance committee has also been tasked by the Board to review position descriptions for the president and senior officers of the general partner. Under the contractual agreements with the Manager, filling the positions are the responsibility of the Manager, who discharges this responsibility in consultation with the corporate governance committee and the board.

Guideline 12

Establish procedures to enable the board to function independently of management

Does the Partnership Align? Yes

Description of Approach The Partnership Agreement provides that the Board can function separately from the Manager and management of the General Partner, as a majority of independent directors must approve all material transactions or agreements between the Partnership and TransCanada or any of its affiliates. The Board has also appointed a Lead Director whose mandate is to ensure the Board can function independently from the Manager.

Guideline 13

Establish an audit committee composed only of outside directors with specifically defined roles and responsibilities

Does the Partnership Align? No

Description of Approach The audit committee for the Partnership has defined roles and responsibilities as outlined in its mandate. The committee is comprised of a majority of independent and unrelated directors. This variance from the guidelines provides the audit committee with further financial expertise and TransCanada, as a significant unitholder, with representation on the audit committee. In the view of the Board, this is appropriate.

Guideline 14

Implement a system to enable individual directors to engage outside advisors at the corporation's expense

Does the Partnership Align? Yes

Description of Approach Independent directors have the authority to retain consultants for themselves or the independent director committee where necessary and appropriate.

BOARD OF DIRECTORS

Brian A. Felesky, Q.C. (1)*(3)
Partner, Felesky Flynn
Calgary, Alberta

Russell K. Girling (1)
Executive Vice-President and Chief Financial Officer
TransCanada PipeLines Limited
Calgary, Alberta

Allen R. Hagerman, F.C.A. (1)(4)
Vice-President and Chief Financial Officer
Fording Coal Partnership
Calgary, Alberta

Eric Hobson (1)(2)*(3)
Partner, Northridge Canada
Calgary, Alberta

Harold N. Kvisle
President and Chief Executive Officer
TransCanada PipeLines Limited
Calgary, Alberta

Donald M. Wishart
Senior Vice-President, Field Operations
TransCanada PipeLines Limited
Calgary, Alberta

Alexander J. Pourbaix (2)
Executive Vice-President, Power Development
TransCanada PipeLines Limited
Calgary, Alberta

W. Brett Wilson (2)(3)*
Chairman, FirstEnergy Capital Corp.
Calgary, Alberta

EXECUTIVE OFFICERS

Russell K. Girling
Chairman and Chief Financial Officer

Alexander J. Pourbaix
President

(1) Audit Committee
(2) Corporate Governance Committee
(3) Independent Directors Committee
(4) Appointed February 26, 2003
* Committee Chair

TRANSCANADA POWER, L.P.

c/o TransCanada Power Services Ltd.
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Calgary, Alberta T2P 5H1

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Telephone: (416) 869-2161
Facsimile: (416) 869-2056

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KPMG LLP
Calgary, Alberta

UNITHOLDER INFORMATION

TransCanada Power Services Ltd.

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Toll Free: (888) 887-7717

STOCK EXCHANGE LISTING

Toronto Stock Exchange
Trading Symbol: TPL.UN

CASH DISTRIBUTIONS

Scheduled cash distribution payment dates in 2003 are January 30, April 30, July 30 and October 30.

ANNUAL INFORMATION FORM

The Partnership's 2002 Annual Information Form, as filed with Canadian securities commissions, may be obtained from:

CORPORATE SECRETARY

TransCanada Power Services Ltd.
450 – First Street SW
Calgary, Alberta, Canada T2P 5H1

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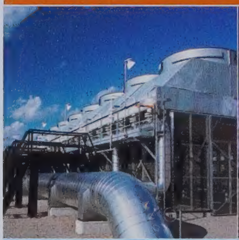
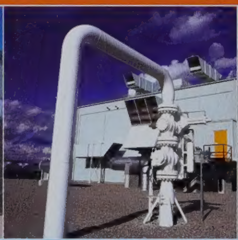
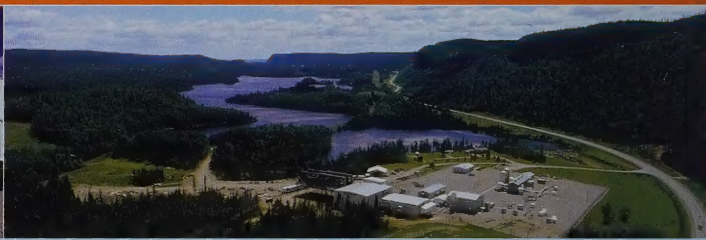

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